

Registered number: 09068010

GCH FARMS HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 NOVEMBER 2018



GCH FARMS HOLDINGS LIMITED

COMPANY INFORMATION

Directors	D Thompson C J Shropshire H J Shropshire G W Shropshire T J Smith
Registered number	09068010
Registered office	Hailey Farm Barway Ely Cambridgeshire CB7 5TZ
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditors Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU

GCH FARMS HOLDINGS LIMITED

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GCH FARMS HOLDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE PERIOD ENDED 3 NOVEMBER 2018

Business review

The results for the group show sales of £11.9m (2017: £21.3m) and a pre-tax profit of £0.2m (2017: £1.1m) for the period. At the period end the group had net assets of £4.3m (2017: £4.1m).

The group's principal activities during the period continued to be farming.

Principal risks and uncertainties

The group's principal operational risk and uncertainties include exposure to UK and global macroeconomic conditions, reliance on key personnel, security of customers and supply chain, reputation. Notwithstanding these risks and uncertainties, the Directors expect the group to continue to trade profitable in the future.

The group operates in a challenging economic climate, in which inflationary pressures on costs must be balanced against the price expectations of our ultimate customers. The nature of the business, being the farming of fresh produce, means that the group is always faced with the uncertainties of the weather and its impact supply of product and demand of the ultimate customers.

Financial risk management

The group uses various financial instruments including loans, cash, overdrafts and various items including trade debtors that arise directly from its operations. The main purpose of these instruments is to finance the groups' ongoing operations and capital expenditure program. Their existence exposes the group to a number of financial risks, primarily interest rate and credit risk.

Interest rate risk

The group's exposure to interest rate and liquidity risk is considered low due to the healthy cash position.

Credit risk

The group's exposure to credit risk lies principally with trade debtors. This is not considered a high risk as a significant proportion of the group's turnover is with G's Growers Limited, a cooperative with 24 active members within the UK and Spain, who via marketing agents trade with major supermarkets multiples, processors and wholesale markets. The credit terms with G's Growers Limited are between 21 - 28 days. Other customers' credit terms are based on payment history and reviewed on a regular basis.

Financial key performance indicators

Turnover is a key measure of the group's performance. Sales for the period were £11.9m (2017: £21.3m).

Overall profitability is a key indicator of the group's performance. The profit before tax for the financial period was £0.2m (2017: £1.1m).

Working capital management is seen as an important target for the business. At the period end, the net current asset level was £3.1m (2017: £3.0m).

GCH FARMS HOLDINGS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 3 NOVEMBER 2018**

Other key performance indicators

Maintaining health and safety standards across the group is seen as a key issue by the directors. The group continues to invest in health and welfare of its employees and customers.

Energy consumption and pollution controls are key measures. The group is in the process of improving energy efficiency and reducing any pollution risk.

In addition to the above, other KPIs, both financial and non-financial, are used for management purposes.

This report was approved by the board on 29 MAY 2019 and signed on its behalf.



D Thompson
Director

GCH FARMS HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 3 NOVEMBER 2018

The directors present their report and the financial statements for the period ended 3 November 2018.

The financial statements have been prepared for the 52 week period ended 3 November 2018 (2017: 52 week period ended 4 November 2017).

Results and dividends

The profit for the period, after taxation, amounted to £152,501 (2017 - £859,089).

Dividends paid to the group's shareholders during the period amounted to £Nil (2017: £Nil).

Directors

The directors who served during the period were:

D Thompson
C J Shropshire
H J Shropshire
G W Shropshire
T J Smith

Future developments

The directors anticipate no significant changes in the group's activities for the foreseeable future.

Post balance sheet events

There have been no significant events affecting the group since the year end.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GCH FARMS HOLDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 3 NOVEMBER 2018**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditors

The auditors, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29 May 2019 and signed on its behalf.



D Thompson
Director

GCH FARMS HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GCH FARMS HOLDINGS LIMITED

Opinion

We have audited the financial statements of GCH Farms Holdings Limited (the 'parent Company') and its subsidiaries (the 'Group') for the period ended 3 November 2018, which comprise the Group Statement of comprehensive income, the Group and Company Balance sheets, the Group Statement of cash flows, the Group and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 3 November 2018 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the

GCH FARMS HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GCH FARMS HOLDINGS LIMITED (CONTINUED)

work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

GCH FARMS HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GCH FARMS HOLDINGS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Gareth Norris FCA (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Statutory Auditors, Chartered Accountants

Milton Keynes

Date: **21 JUNE 2019**

GCH FARMS HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 3 NOVEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	11,856,552	21,327,130
Cost of sales		(10,815,088)	(19,146,281)
Gross profit		<u>1,041,464</u>	<u>2,180,849</u>
Administrative expenses		(824,019)	(1,155,516)
Other operating income	5	817	140,259
Operating profit	6	<u>218,262</u>	<u>1,165,592</u>
Income from participating interests		(17,926)	(53,563)
Interest receivable and similar income		5,538	1,527
Interest payable and expenses		(15,389)	(29,371)
Profit before taxation		<u>190,485</u>	<u>1,084,185</u>
Tax on profit		(37,984)	(225,096)
Profit for the financial period		<u>152,501</u>	<u>859,089</u>
Profit for the period attributable to:			
Owners of the parent Company		<u>152,501</u>	<u>859,089</u>

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2018 (2017: £NIL).

The notes on pages 14 to 29 form part of these financial statements.

GCH FARMS HOLDINGS LIMITED
REGISTERED NUMBER: 09068010

CONSOLIDATED BALANCE SHEET
AS AT 3 NOVEMBER 2018

	Note	3 November 2018 £	4 November 2017 £
Fixed assets			
Tangible assets	12	755,308	645,693
Investments	13	761,452	803,378
		<u>1,516,760</u>	<u>1,449,071</u>
Current assets			
Stocks	14	1,331,904	3,085,641
Debtors: amounts falling due within one year	15	748,412	860,432
Cash at bank and in hand	16	2,767,544	1,169,800
		<u>4,847,860</u>	<u>5,115,873</u>
Creditors: amounts falling due within one year	17	(1,766,964)	(2,123,617)
		<u>3,080,896</u>	<u>2,992,256</u>
Net current assets			
		<u>3,080,896</u>	<u>2,992,256</u>
Total assets less current liabilities		<u>4,597,656</u>	<u>4,441,327</u>
Creditors: amounts falling due after more than one year	18	(303,828)	(300,000)
		<u>4,293,828</u>	<u>4,141,327</u>
Net assets			
		<u>4,293,828</u>	<u>4,141,327</u>
Capital and reserves			
Called up share capital	22	10,000	10,000
Profit and loss account	23	4,283,828	4,131,327
Equity attributable to owners of the parent Company		<u>4,293,828</u>	<u>4,141,327</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

29 May 2019



D Thompson
Director

The notes on pages 14 to 29 form part of these financial statements.

GCH FARMS HOLDINGS LIMITED
REGISTERED NUMBER: 09068010

COMPANY BALANCE SHEET
AS AT 3 NOVEMBER 2018

	Note	3 November 2018 £	4 November 2017 £
Fixed assets			
Investments	13	2	2
Current assets			
Debtors: amounts falling due within one year	15	62	372
Cash at bank and in hand	16	9,936	9,626
		<u>9,998</u>	<u>9,998</u>
Net assets		<u>10,000</u>	<u>10,000</u>
Capital and reserves			
Called up share capital	22	10,000	10,000
		<u>10,000</u>	<u>10,000</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
29 May 2019


D Thompson
 Director

The notes on pages 14 to 29 form part of these financial statements.

GCH FARMS HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 3 NOVEMBER 2018**

	Called up share capital	Profit and loss account	Equity attributable to owners of parent Company	Total equity
	£	£	£	£
At 5 November 2017	10,000	4,131,327	4,141,327	4,141,327
Comprehensive income for the period				
Profit for the period	-	152,501	152,501	152,501
At 3 November 2018	<u>10,000</u>	<u>4,283,828</u>	<u>4,293,828</u>	<u>4,293,828</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 4 NOVEMBER 2017**

	Called up share capital	Profit and loss account	Equity attributable to owners of parent Company	Total equity
	£	£	£	£
At 1 November 2016	10,000	3,272,238	3,282,238	3,282,238
Comprehensive income for the period				
Profit for the period	-	859,089	859,089	859,089
At 4 November 2017	<u>10,000</u>	<u>4,131,327</u>	<u>4,141,327</u>	<u>4,141,327</u>

The notes on pages 14 to 29 form part of these financial statements.

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**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 3 NOVEMBER 2018**

	Called up share capital £	Total equity £
At 5 November 2017	10,000	10,000
At 3 November 2018	<u>10,000</u>	<u>10,000</u>

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 4 NOVEMBER 2017**

	Called up share capital £	Total equity £
At 1 November 2016	10,000	10,000
At 4 November 2017	<u>10,000</u>	<u>10,000</u>

The notes on pages 14 to 29 form part of these financial statements.

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 3 NOVEMBER 2018**

	3 November 2018 £	4 November 2017 £
Cash flows from operating activities		
Profit for the financial period	152,501	859,089
Adjustments for:		
Depreciation of tangible assets	188,658	171,123
Loss on disposal of tangible assets	43,977	(23,764)
Interest paid	15,389	29,371
Interest received	(5,538)	(1,527)
Taxation charge	37,984	225,096
Decrease/(increase) in stocks	1,753,737	(1,266,784)
Decrease in debtors	212,458	132,296
(Decrease)/increase in creditors	(1,123,391)	241,129
Corporation tax (paid)	(228,621)	(199,234)
Net cash generated from operating activities	<u>1,047,154</u>	<u>166,795</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(422,250)	(352,000)
Sale of tangible fixed assets	80,000	95,000
Share of loss in associates net of distributions	41,926	53,563
Interest received	5,538	1,527
HP interest paid	-	(2,869)
Net cash from investing activities	<u>(294,786)</u>	<u>(204,779)</u>
Cash flows from financing activities		
Repayment of other loans	(100,000)	(100,000)
Repayment of/new finance leases	204,558	(189,111)
Interest paid	(15,389)	(26,502)
Net cash used in financing activities	<u>89,169</u>	<u>(315,613)</u>
Net increase/(decrease) in cash and cash equivalents	<u>841,537</u>	<u>(353,597)</u>
Cash and cash equivalents at beginning of period	1,169,800	1,523,397
Cash and cash equivalents at the end of period	<u><u>2,011,337</u></u>	<u><u>1,169,800</u></u>
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	2,767,544	1,169,800
Bank overdrafts	(756,207)	-
	<u><u>2,011,337</u></u>	<u><u>1,169,800</u></u>

The notes on pages 14 to 29 form part of these financial statements.

GCH FARMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 NOVEMBER 2018

1. General information

GCH Farms Holdings Limited is a private company limited by shares and is registered in England and Wales.

Registered number: 09068010.

Registered address: Hailey Farm, Barway, Ely, Cambridgeshire, CB7 5TZ.

The principal activity of the company is farming.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 04 May 2014.

GCH FARMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 NOVEMBER 2018

2. Accounting policies (continued)

2.3 Associates and joint ventures

An entity is treated as a joint venture where the Group is a party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidated balance sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

GCH FARMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 NOVEMBER 2018

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Plant and machinery	- 25% reducing balance & 4 years straight line
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

GCH FARMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 NOVEMBER 2018

2. Accounting policies (continued)

2.10 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

GCH FARMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 NOVEMBER 2018

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within 'other operating income'.

2.13 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt.

2.14 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

2.15 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.16 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

GCH FARMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 NOVEMBER 2018

2. Accounting policies (continued)

2.17 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the period in which they are incurred.

2.18 Taxation

Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make judgements and estimates. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation uncertainty is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below:

Fixed assets

Depreciation is charged with due consideration to the useful economic life and residual value of fixed assets and the continuing appropriateness of the applied policy is considered on an annual basis by the directors.

Stock provision

Stocks are assessed for impairment at each reporting date based on the directors best estimate of net realisable values with reference to quoted market or contract prices. Stocks are assessed for impairment at each reporting date based on the directors best estimate of net realisable values with reference to quoted market or contract prices.

4. Turnover

The whole of the turnover is attributable to farming.

All turnover arose within the United Kingdom.

5. Other operating income

	2018 £	2017 £
Other operating income	817	140,259

GCH FARMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 NOVEMBER 2018

6. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible assets	188,658	171,123
Loss/(profit) on disposal of fixed asset	43,977	(23,764)
Exchange differences	(461)	1,745
Operating lease rentals	563,003	844,441
Cost of stock recognised	4,325,409	8,396,982
	<u> </u>	<u> </u>

7. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	16,200	10,450
	<u> </u>	<u> </u>
Fees payable to the Group's auditor and its associates in respect of:		
All other services	5,175	6,050
	<u> </u>	<u> </u>

8. Employees

The Group and Company have no employees other than the directors, who did not receive any remuneration (2017 - £NIL).

9. Interest receivable

	2018 £	2017 £
Other interest receivable	5,538	1,527
	<u> </u>	<u> </u>

GCH FARMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 3 NOVEMBER 2018**

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	362	27
Other loan interest payable	15,027	26,475
Finance leases and hire purchase contracts	-	2,869
	<u>15,389</u>	<u>29,371</u>

11. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	<u>37,984</u>	<u>225,096</u>

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.41%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>190,485</u>	<u>1,084,185</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.41%)	57,992	244,635
Effects of:		
Capital allowances for period in excess of depreciation	(6,143)	(19,539)
Adjustments to tax charge in respect of prior periods	(13,865)	-
Total tax charge for the period	<u>37,984</u>	<u>225,096</u>

Factors that may affect future tax charges

During the period, the main rate of UK corporation tax is 19% and the rate will reduce further to 17% from 1 April 2020. These changes have been substantively enacted at the balance sheet date. Temporary differences have been measured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

GCH FARMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 3 NOVEMBER 2018**

12. Tangible fixed assets

Group

	Plant and machinery £
Cost or valuation	
At 5 November 2017	1,082,906
Additions	422,250
Disposals	(294,000)
	<hr/>
At 3 November 2018	1,211,156
	<hr/>
Depreciation	
At 5 November 2017	437,213
Charge for the period on owned assets	149,783
Charge for the period on financed assets	38,875
Disposals	(170,023)
	<hr/>
At 3 November 2018	455,848
	<hr/>
Net book value	
At 3 November 2018	755,308
	<hr/> <hr/>
At 4 November 2017	645,693
	<hr/> <hr/>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	3 November 2018 £	4 November 2017 £
Plant and machinery	272,125	-
	<hr/> <hr/>	<hr/> <hr/>

GCH FARMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 3 NOVEMBER 2018

13. Fixed asset investments

Group

	Investments in associates £	Unlisted investments £	Total £
Cost or valuation			
At 5 November 2017	773,378	30,000	803,378
Share of profit/(loss) net of distributions	(41,926)	-	(41,926)
At 3 November 2018	731,452	30,000	761,452
Net book value			
At 3 November 2018	731,452	30,000	761,452
At 4 November 2017	773,378	30,000	803,378

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
GCH Mushrooms Limited	Ordinary	100%	Investment holding company
GCH Growers Limited	Ordinary	100%	Farming

The registered office of all subsidiary undertakings is the same as that of the company.

Participating interests

Associates

The following were associated undertakings of the Group:

Name	Registered office	Class of shares	Holding	Principal activity
Littleport Mushrooms Farms LLP	United Kingdom	Designated member	20%	Mushroom farming
Fiddleford Holdings Limited	United Kingdom	Ordinary	48%	Investment holding company

At 3 November 2018, the aggregate of share capital and reserves of Littleport Mushroom Farms LLP was £1,645,981 and the profit for the year then ended was £508,415.

At 3 November 2018, the aggregate of share capital and reserves of Fiddleford Holdings Limited was £698,106 and the loss for the period then ended was £79,223.

GCH FARMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 3 NOVEMBER 2018**

13. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost or valuation	
At 5 November 2017	2
At 3 November 2018	<u>2</u>
Net book value	
At 3 November 2018	<u>2</u>
At 4 November 2017	<u>2</u>

14. Stocks

	Group 3 November 2018 £	Group 4 November 2017 £	Company 3 November 2018 £	Company 4 November 2017 £
Finished goods and goods for resale	<u>1,331,904</u>	<u>3,085,641</u>	<u>-</u>	<u>-</u>

Stock recognised in cost of sales during the period as an expense was £4,325,409 (2017: £8,396,985).

15. Debtors

	Group 3 November 2018 £	Group 4 November 2017 £	Company 3 November 2018 £	Company 4 November 2017 £
Trade debtors	346,740	534,678	-	-
Amounts owed by group undertakings	-	-	62	372
Other debtors	401,672	325,754	-	-
	<u>748,412</u>	<u>860,432</u>	<u>62</u>	<u>372</u>

GCH FARMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 3 NOVEMBER 2018**

16. Cash and cash equivalents

	Group 3 November 2018 £	Group 4 November 2017 £	Company 3 November 2018 £	Company 4 November 2017 £
Cash at bank and in hand	2,767,544	1,169,800	9,936	9,626
Less: bank overdrafts	(756,207)	-	-	-
	<u>2,011,337</u>	<u>1,169,800</u>	<u>9,936</u>	<u>9,626</u>

17. Creditors: Amounts falling due within one year

	Group 3 November 2018 £	Group 4 November 2017 £	Company 3 November 2018 £	Company 4 November 2017 £
Bank overdrafts	756,207	-	-	-
Other loans	100,000	100,000	-	-
Trade creditors	417,389	1,410,418	-	-
Corporation tax	-	90,199	-	-
Obligations under finance lease and hire purchase contracts	100,730	-	-	-
Other creditors	248,438	302,886	-	-
Accruals and deferred income	144,200	220,114	-	-
	<u>1,766,964</u>	<u>2,123,617</u>	<u>-</u>	<u>-</u>

Obligations under finance leases and hire purchase contracts are secured against the assets to which they relate.

Other loans are unsecured and repayable in equal instalments of £100,000 per annum. Interest is charged at 3% above Bank of England base rate.

GCH FARMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 3 NOVEMBER 2018**

18. Creditors: Amounts falling due after more than one year

	Group 3 November 2018 £	Group 4 November 2017 £	Company 3 November 2018 £	Company 4 November 2017 £
Other loans	200,000	300,000	-	-
Net obligations under finance leases and hire purchase contracts	103,828	-	-	-
	<u>303,828</u>	<u>300,000</u>	<u>-</u>	<u>-</u>

Obligations under finance leases and hire purchase contracts are secured against the assets to which they relate.

Other loans are unsecured and repayable in equal instalments of £100,000 per annum. Interest is charged at 3% above Bank of England base rate.

19. Loans

Other loans are unsecured and repayable in equal instalments of £100,000 per annum. Interest is charged at 3% above Bank of England base rate.

	Group 3 November 2018 £	Group 4 November 2017 £	Company 3 November 2018 £	Company 4 November 2017 £
Amounts falling due within one year				
Other loans	100,000	100,000	-	-
Amounts falling due 1-2 years				
Other loans	100,000	100,000	-	-
Amounts falling due 2-5 years				
Other loans	100,000	200,000	-	-
	<u>300,000</u>	<u>400,000</u>	<u>-</u>	<u>-</u>

GCH FARMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 3 NOVEMBER 2018**

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 3 November 2018 £	Group 4 November 2017 £
Within one year	100,730	-
Between 1-2 years	103,828	-
	<u>204,558</u>	<u>-</u>

21. Financial instruments

	Group 3 November 2018 £	Group 4 November 2017 £	Company 3 November 2018 £	Company 4 November 2017 £
Financial assets				
Financial assets measured at fair value through profit or loss	2,827,544	1,229,800	9,936	9,626
Financial assets that are debt instruments measured at amortised cost	647,975	859,842	62	372
	<u>3,475,519</u>	<u>2,089,642</u>	<u>9,998</u>	<u>9,998</u>
Financial liabilities				
Other financial liabilities measured at fair value through profit or loss	(756,207)	-	-	-
Financial liabilities measured at amortised cost	(1,570,474)	(2,113,304)	-	-
	<u>(2,326,681)</u>	<u>(2,113,304)</u>	<u>-</u>	<u>-</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand and unlisted investments.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors and amounts owed by group undertakings.

Other financial liabilities measured at fair value through profit and loss comprise bank overdraft.

Financial liabilities measured at amortised cost comprise trade creditors, other loans, other creditors and obligations under finance lease and hire purchase contracts.

GCH FARMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 3 NOVEMBER 2018**

22. Share capital

	3 November 2018 £	4 November 2017 £
Allotted, called up and fully paid		
2,000 (2017 - 2,000) Ordinary A shares of £1.00 each	2,000	2,000
2,000 (2017 - 2,000) Ordinary B shares of £1.00 each	2,000	2,000
2,000 (2017 - 2,000) Ordinary C shares of £1.00 each	2,000	2,000
4,000 (2017 - 4,000) Ordinary D shares of £1.00 each	4,000	4,000
	<u>10,000</u>	<u>10,000</u>

All Ordinary shares carry voting rights of one vote per share and rank pari passu.

23. Reserves

Profit and loss account

This reserve includes all current and prior period retained earnings.

24. Commitments under operating leases

At 3 November 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 3 November 2018 £	Group 4 November 2017 £
Not later than 1 year	29,955	129,227

The Company had no such commitments (2017: £NIL)

GCH FARMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 3 NOVEMBER 2018**

25. Related party transactions

The company had related party transactions as follows during the period.

Entities over which the entity has control, joint control or significant influence:

	3 November 2018 £	4 November 2017 £
Sales and recharges	9,724,596	10,240,688
Purchases	9,507,756	7,956,016
Debtors	346,739	536,497
Creditors	245,609	1,390,535

Key management personnel of the group are remunerated through other connected entities which do not form part of this consolidation.

26. Ultimate controlling party

There is no ultimate controlling party.